



# Department of Justice

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TUESDAY, FEBRUARY 28, 2006  
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## **JUSTICE DEPARTMENT SETTLES CIVIL CONTEMPT CLAIM AGAINST ROLEX WATCH U.S.A. INC.**

### ***Rolex Watch U.S.A. Inc. Agrees to Pay \$750,000***

WASHINGTON, D.C. – Rolex Watch U.S.A. Inc. has agreed to pay \$750,000 as part of a settlement with the Department of Justice that resolves Rolex's alleged violations of a 1960 consent decree that prohibited U.S. importers of Swiss watches and watch parts from engaging in anticompetitive practices in the U.S. watch industry.

The Department today filed a petition in the U.S. District Court for the Southern District of New York asking it to find Rolex in civil contempt of the decree. The Department also filed a settlement agreement and order, subject to court approval, that would resolve its antitrust concerns. Part of the \$750,000 payment to the United States includes reimbursement to the government for the cost of its investigation into Rolex's alleged violations. During its investigation of Rolex's alleged decree violations, the Department determined that, as a result of significant changes in the watch industry during the past 45 years, the decree is no longer necessary to protect competition and therefore should be terminated.

"The rule of law requires companies to abide by a court's lawful orders or pay the consequences. Even when a company believes that a court's order is no longer necessary to serve its original purposes, the appropriate recourse is to ask the court to modify its order, not to flout it," said Thomas O. Barnett, Assistant Attorney General in charge of the Department's Antitrust Division.

In today's filing, the Department said that certain provisions of a Rolex policy statement violate the decree by placing restrictions on the use, resale, and pricing of watch parts purchased from Rolex. According to the Department, Rolex's policy is not to sell watch parts to independent watch repair facilities or watchmakers unless the watchmakers agree that they will not use the parts in any watch that has non-Rolex parts or accessories. Rolex's policy also prohibits watchmakers from reselling spare watch parts under any circumstance and from charging an excessive markup for watch parts used in repairs. The Department alleges that these provisions of Rolex's policy violate the terms of the 1960 decree.

Today the Department also filed with the court a memorandum consenting to termination of the decree, subject to notice and an opportunity for public comment. Nevertheless, Rolex must still comply with the terms of the consent decree until and if the decree is terminated.

In 1954, the Department filed an antitrust complaint alleging a wide-ranging conspiracy between Swiss and U.S. watch companies to fix prices, terms, and conditions of the sale of watches and watch parts, to restrict the manufacturing of watches and watch parts in the United States, and to control the export of watches and watch parts into the United States. More than 20 defendants were named in the complaint, including The American Rolex Watch Corporation, which today is known as Rolex Watch U.S.A. Inc.

On March 9, 1960, just prior to trial, the United States and 11 of the defendants, including Rolex, entered into a consent decree that resolved the complaint's antitrust concerns. Under the decree, the defendants are prohibited from placing certain restrictions on the use of watch parts or watchmaking machines purchased from the defendants. The decree also prohibits the defendants from entering into certain agreements that fix or control the terms or conditions on which watches, watch parts, or watchmaking machines purchased from the defendants may be

resold. In addition, the defendants are prohibited under the decree from entering into certain agreements that fix or control the markup or the maximum or minimum price at which watches, watch parts, or watchmaking machines purchased from the defendants may be resold.

Rolex Watch U.S.A. Inc. is the U.S. subsidiary of the Swiss watch manufacturer Montres Rolex S.A. Rolex Watch U.S.A. imports, distributes and services Rolex watches, stopwatches, pocket watches, and clocks, and maintains a network of Rolex watch dealers in the United States.

Notice of the Department's intention to terminate the 1960 decree will be published in the Federal Register. Any person may submit written comments to John Read, Chief, Litigation III, Antitrust Division, U.S. Department of Justice, 325 7th Street, NW, Room 300, Washington, DC 20530 during a 60-day comment period. After the conclusion of the public comment period, the United States will file with the court copies of any comments that are received along with its response to those comments. At that time, the court may terminate the decree upon finding that termination serves the public interest.

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